DOCUMENT RESUME

ED 184 417 HE 012 432

AUTHOR Kershaw, Joseph A.
TITLE Government and Higher Education in New York State.
SPONS AGENCY Sloan Commission on Government and Higher Education, Cambridge, Mass.
PUB DATE [80]
NOTE 45p.; For related Sloan Commission documents, see ED 161 306, ED 176 679, ED 179 174, ED 180 273, HE 012 421-427, HE 012 429-432, HE 012 434-439, HE 012 442-445, HE 012 448-449, HE 012 465-474, HE 012 476-480, HE 012 482-490.

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Decision Making; Declining Enrollment; *Educational Demand; Educational Policy; Federal Programs; Federal State Relationship; Financial Support; Futures (of Society); Government School Relationship; *Higher Education; Private Colleges; Private Education; Research Opportunities; *Retrenchment; State Agencies; *State Boards of Education; *State Colleges; State Programs; State Universities; *Statewide Planning; Student Financial Aid; Urban Universities
IDENTIFIERS *New York; *Sloan Commission Studies

ABSTRACT

New York State's higher education system is threatened by external conditions: reduction in college-age population, a private sector threatened by an emerging state system, an end to growth in state financial support, and a rapidly growing New York City system. Whether the state can adjust rationally to these conditions is examined, and the possibilities for coordination of state and federal intervention are discussed. New York's higher education system is outlined, with some attention given to decision-making in the state bureaucracy. The student financial aid situation is examined, and it is noted that the two large state and federal aid programs, which operate side by side, differ in important ways and may in some ways be incompatible. The annual budget decision process for the State University of New York and the City University of New York is detailed and discussed as it copes with the steady state conditions ahead. A look into the near future suggests that a downturn of demand for higher education may be as much as 15 to 20 percent, research funds are likely to decline, and the state authorities will have to decide whether to selectively close institutions or selectively reduce programs at all institutions. (MSE)

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HE 012 432

GOVERNMENT AND HIGHER EDUCATION IN NEW YORK STATE

by

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prepared for the
Sloan Commission on Government
and Higher Education

*Many people have been helpful to me during this study, though none bears responsibility for what I have written. I have interviewed many administrators on campuses, as well as in CUNY and SUNY headquarters and in the State Education Department. All have been courteous and generous with their time and I thank them. Charles Byce of The College Board Washington office and David Breneman of the Brookings Institution were particularly helpful on the slippery issue of federal research funds. The Sloan Commission staff has been ready to help at any time and it has been a privilege to work with them.

--JAK

These are interesting times for higher education. Both funds and students are harder to come by than they have been for a couple of decades or more; many institutions face a problem of survival, others wonder whether educational quality can be maintained; and while the role of government as regulator and intruder is increasing, as benefactor it is not. Most educational administrators have not experienced such external conditions before and they are struggling to find acceptable means to adjust. Above all, the prospect (for all) and actuality (for many) of enrollment declines brings a need for contraction and retrenchment which are brand new problems after decades of vigorous growth.

New York is a fascinating state to examine to see these forces in action and the attempts to adjust to them. Like some other Northeastern states, it has suffered a loss of population -- particularly college-age population -- and income ahead of states in other sections of the country. Thus, what is anticipated elsewhere has already begun in New York. The state has a long tradition of a healthy private sector which still is larger than in most states, but which feels seriously threatened by the recently emerging public sector. State financial support has grown rapidly, both for the public and private sectors, but growth has apparently ended now and for the foreseeable future. Finally, there is a very large New York City public higher education system which has been quite separate from the state system but which is apparently now moving in sponsorship from city to state in ways not yet clear. These developments suggest that there are major policy decisions ahead for the State, and for the federal government, decisions which will determine whether New York's higher education systems can adjust rationally to the new and threatening external conditions.

This is one of the questions we propose to examine in this paper. We want also to see how the federal and state governments' respective entries into higher education in this state either mesh together or do not -- how they complement and supplement one another or how they clash. An enormous amount of state and federal money is spent in New York each year -- is it spent wisely, does it accomplish its purposes, and are these purposes compatible with the public interest? These are large questions, to which there are no simple answers. But there is a laboratory for examination here which is almost bound to cast light on many aspects of these important issues.

We propose to begin with a description of New York's higher education system, including the private sector, CUNY, SUNY and the community colleges. It is a unique system and understanding its nature is essential. It is also complex, and it is not easy to do justice to it in a brief description, but we will hope to come to grips with its most essential features, and to give at least some consideration to its recent history. We will also comment on the principal actors in the State bureaucracy, and their role in the decision-making process. Finally, by way of setting the stage, it is important to look at least briefly at the demographic and economic developments in New York, because these are basically what have created conditions that set New York apart from most other states.

We turn then to the student aid situation in New York, for at least two reasons. One is that the New York student aid system is far and away of greater magnitude than in any other state, and hence of great importance in its own right. Over a half billion state dollars are spent for this purpose annually; when federal funds coming into the state

are added, a billion dollars of student aid is being spent in the state each year. The second is that TAP and BEOG, the large state and federal financial aid systems, operate side by side, yet differ in important ways. They were developed without regard to one another and operate that way too. Here is an outstanding case to examine to see whether large federal and state systems are working together or at swords points.

Next we look in some detail at the state system (SUNY and to some extent CUNY) with particular stress on the decision-making process. We will concentrate on the annual budget decisions and how they get made, how the process has changed in recent years, and what light can be thrown on the ability of the system to react rationally to the "steady state" or retrenchment conditions that lie ahead.

Finally, we will attempt to look into the future for a decade or two, to speculate on what is likely to happen in all sectors of higher education in the State. We will be particularly interested in the public policy question of how the state (and to a lesser degree the federal government) should behave in order to help preserve quality education in the face of a hostile environment.

I. HIGHER EDUCATION IN NEW YORK STATE

New York State has always taken higher education seriously. It has more colleges and universities than any other state in the nation. About two-thirds of its high school graduates go on to post-secondary institutions (the national average is 43 percent), over half the graduates choosing to stay in the state. To serve these students there is a highly diverse system: some 130 private colleges and universities, sixty-four units in the SUNY system, and nineteen in the CUNY system in New York City. The state operated system is the nation's largest, with about 265,000 full time equivalent students, while the city operated system, with 175,000 (in 1974 before disaster struck) was the nation's third largest. All sizes and shapes of institutions are represented in these totals.

a. The Private Sector

Until recently, the private sector has been dominant in the state, though of course growth rates in the public sector have been very much more rapid in recent years. But the private sector has continued a modest growth in enrollment to the present, and its share of total enrollment in the state now stands at some forty percent, just about twice the national average. It has even edged upward in the last couple of years which must make it unique among the states. In graduate enrollment it continues to play a dominant role, with nearly 70 percent of the graduate students, and it awards the vast majority of all Ph.D. degrees awarded in the state.

The 130 private institutions are so heterogeneous that it is most difficult to generalize about their fiscal health. The very effective

organization to which almost all belong (Commission on Independent Colleges and Universities -- CICU) has been an active and successful lobbyist, and has based its appeal on the need of private institutions for state support, and on the notion that it is less expensive for the state to subsidize part of a student's costs at a private institution than all or most of his costs at a public one. It appears inevitable that when the enrollment drop begins its real bite, some privates will be unable to endure, but evidence of wholesale prospective bankruptcies is not now at hand.

In any case the private sector and its champions in the legislature have succeeded in providing handsomely from the state treasury. Institutional aid is granted on the basis of the number of degrees granted -- $66 millions in 1976-7. In addition, of the student aid funds supplied by the state, some $73 million (estimated at $90 millions for 1977-8) went to students attending private institutions and hence to the institutions themselves. This suggests a subsidy of something over a million dollars per institution on the average, some 7 percent of the average budget. And while averages tend to be misleading it might help to think of one as having a student body around 2500 and an annual budget of about $15,000,000. However it is viewed, it is a lot of money, far larger than private institutions receive in subsidies in any other state. If the private sector is in fact in serious financial trouble it is not easy to attribute it to the niggardliness of the state. Indeed, it may suggest the fascinating, if subversive, notion that fiscal health is not related to the amount of state aid to private education!

While the Board of Regents has concerns broader than the private sector, it has by tradition and by law great power over private

institutions, and deserves mention here if only briefly. The Regents, which are a constitutional body, charter all private educational institutions in the state, and register all curricular programs. It is a body of great importance in the lives of all private institutions. Interestingly, it has been designated the State's 1202 Commission as well. Its stormy and uncertain relations with the public sector will be discussed later, but it is interesting that New York's 1202 commission, unlike any other, has presently a good deal more power over the private than over the public sector, a matter of some significance given the planning role called for in the difficult years ahead.

Finally we should mention the large private national research universities -- Columbia, Cornell, New York University, Rochester and Syracuse. These institutions, which together produce over 60 percent of the Ph.D. degrees granted in New York State, benefit from the state as do others, though by relatively less. Their student aid money tends to be less per student since they draw students heavily from out of state, and such students are not eligible for state student aid money. They <u>are</u> eligible for Bundy money (as the institutional aid funds are known) but this bulks less large in their total budgets which are swollen by research expenditures. At the same time federal funds for undergraduate financial aid have grown rapidly while research grant money has become more difficult to obtain, and after correcting for price changes has nearly stopped growing. At a minimum these shifts in emphasis on the part of federal funding have created adjustment problems, and have made something of a special case of these research universities.

b. The City University of New York (CUNY)

This highly unusual system has had a stormy recent past. It was made a system only in 1961, but City College, which became a part of the system, had served city residents since 1847. At present it consists of a Graduate School and University Center, eight so-called senior colleges, six of which award master's as well as bachelor's degrees, and nine community colleges, which will be discussed separately at a later point. As its name suggests the system has been funded largely by New York City, but this is in the process of changing as a result of the city's recent financial crisis. Reflecting this, the governing body, the Board of Higher Education, now has 15 members, seven named by the mayor, seven by the governor (with Senate confirmation) and one by these fourteen. It is likely that the State will become more influential if the state funding share increases, as many expect, and there is some talk of incorporating CUNY into the State system, or making it a second state system. Its budgeting process has already become essentially identical with that of SUNY.

The mid-1970's were an enormously difficult time for CUNY, which suffered a near fatal blow as a consequence of the city and state fiscal crises, particularly the former. The newly emerging four year colleges had not yet developed fully when their resources were suddenly cut severely. The older four-year colleges bore more than their share of the cuts, which combined with the forced modifications of open admission (which was only a few years old) and the forced imposition of tuition (which broke a century-old and cherished tradition), were blows from which the system may not recover. It is not easy to imagine a college like Queens losing one-third of its full time staff while its part-time

staff declined from 1080 to nine! The overall staff cuts for the four year colleges in two years were 26 percent; in the community colleges the cuts were 18 percent.

The future of the city system is a cloudy one. There has been a decline in enrollment, and the decline is expected to continue. In the Senior Colleges, total headcount at 119,875 in 1976-7 dropped to 110,554 in 1977-8 and is expected to be 103,209 in 1978-9. Part-time enrollment has declined faster than full-time as a result of the imposition of tuition because only full time students are eligible for TAP.

Budget for the Senior Colleges has been smaller each year since 1974-5 and continues its decline into 1978-9. Budgets of course are largely enrollment-driven and this is why there has been a decline and why the decline will continue. The problem is the speed with which the decline has set in and the difficulty of bringing about the necessary adjustments to accommodate to it. There is a more basic question, which will be discussed in a later section, of how these reductions should be allocated. The system is endeavoring to keep all units open and operating, though clearly all units are not equal either in educational quality or in popularity among student applicants.

c. The State University of New York (SUNY)

SUNY enjoys referring to itself as the nation's largest system of higher education (which it is) with some 344,000 full and part time students enrolled in the fall of 1977. The system came into existence in 1948, but it did not begin to become important until about 1960, when it began to grow at a remarkably rapid rate. Initially it took over a number of teacher training institutions, but was constrained

from moving into liberal education by the opposition of a strong private sector and the Board of Regents. (Its late blooming is of course the principal reason why the private enrollment share is so much higher in New York than in other states.)

By 1970, after a decade of frantic construction of new campuses and absorption of old, the system had 64 units, which it still has. There are four university centers (at Albany, Binghamton, Buffalo and Stony Brook), thirteen colleges of arts and science (many of which had been teacher training institutions and still retain some of that flavor), and thirty community colleges all over the state except in New York City. The remaining campuses include two Health Science Centers, six (two year) Agricultural and Technical Colleges, five so-called Statutory Colleges (such as the School of Industrial Relations at Cornell), three Specialized Colleges (such as the College of Forestry at Syracuse), and one College without a Campus (Empire State College).

This system is governed by a Board of Trustees appointed by the governor. The trustees in turn appoint a Chancellor who administers the system and who, with his staff, has his headquarters in Albany. It is not unimportant that SUNY grew during the tenure of one of New York's most powerful governors, and during the decade of most rapid enrollment growth in the state's history. These historical facts contribute significantly to the uneasy relationship that now exists between SUNY and the Board of Regents, and which may become more tense as more difficult educational decisions are faced by the state. The two organizations have already been in court over who has what power, and friction may be expected to continue.

SUNY's enrollment growth continued into the 1970's until 1975-6 when it peaked at 357,000. Since then there has been a decline to 344,000 the following year and (excluding the community colleges) a very small decline since which will probably continue in the coming fall, although it is too early to be certain. But the steady state has either arrived for the state system or is about to.

SUNY derives its revenues from state appropriations and from student tuition and room and board fees. The bulk of tuition collected by SUNY is devoted to servicing the debt arising from the construction of SUNY campuses around the state. One hundred million dollars of tuition receipts are supposed to be available over and above debt service requirements to help defray operating expenses, but the system tends to fall somewhat short of this figure. In 1976-7 the state appropriated $637 millions for SUNY's operating budget, which was a reduction of ten percent from the previous year (the reduction was partially offset by an increase in tuition). In the two years since, dollar appropriations have increased modestly but by less than the increase in prices. While the squeeze on SUNY is thus less than that on CUNY, it is nonetheless real and can be expected to continue.

It is worth stressing that SUNY has been in existence for only thirty years, and that for the first dozen or so of these years it was nearly dormant. In the decade of the 1960's extremely rapid growth occurred and many very impressive campuses were built. But building an excellent university, and still more a whole system, is not something that can be done in a decade or two. Despite numerous impressive break-throughs, therefore, including the attraction of many well-known and outstanding faculty members, the necessity to put a cap on the

resources available to the system so early in its development can only be regarded as highly unfortunate timing. The system had not reached maturity, and it had not reached the standard of quality toward which it was headed and which it might well have reached in another twenty years or so.

The significance of this observation is that the cessation of growth of resources available to the system, and of student customers, brings a set of problems more difficult by an order of magnitude than how to manage growth. Just as one example, what should be done about the likely fact that the chances of making four excellent university centers in the state has disappeared, yet physically four are in place. In the absence of imaginative management and the willingness and ability to make some unpopular decisions, there is real danger that the system will slip into mediocrity. More on this later.

d. The Community College System

New York State's commitment to "access" has led it to establish a wide network of community colleges. There are thirty in the SUNY system, nine in CUNY. Even though they are part of these systems, the governance and funding of community colleges is quite different.

Each community college has a "local sponsor," normally a county government, which appoints some of the college's governing body (the governor appoints the others) and supplies some of the funds. State funds are provided by a statutory formula based mainly on the number of students and, to a lesser extent, the types of programs offered. Each college charges tuition, usually the same as the State or City system, sometimes slightly less. The balance of its revenues is made up by the

local sponsor, which thus becomes the residual supplier of funds. It is apparent that the local sponsor's funding role is a key one, one which has no counterpart in the funding of the four year colleges and universities. In the case of the community colleges in the CUNY system, the City of New York (the Board of Higher Education) is the local sponsor for all. Note that the dispute between the city and the state on funding CUNY units did not involve the community colleges; in their case, the state's share is formula determined.

The growth of enrollments in the community colleges has been very rapid. By 1976 the SUNY community colleges had 151,300 students, the CUNY colleges 74,400. But growth stopped at that point and has not resumed in either system since. Here is more evidence of the onset of the "steady state."

e. The Economics and Demography of New York State

Central to the educational developments in New York State are the underlying economic and demographic factors. Like some other Northeastern states, but more than most, New York has begun to feel the effects of the decline in both income and population growth. The frostbelt to sun-belt migration has had its impact: traditionally New York has enjoyed an economic and employment growth rate above the national average, but since 1960 these relationships have changed. Growth in income has lagged behind that in the nation for 25 years and since 1960 has been at about 75 percent of the nation's growth.

These developments have had their impact on the state's fiscal capacity. New York has spent between 10 and 12 percent of its revenues on higher education, and it still does. But total state expenditures,

in the face of fiscal crisis, have topped out, and whereas the average expenditure on higher education in all states between 1974-5 and 1976-7 grew by 24 percent, New York's increased by only 8 percent. This means that real resources, i.e., corrected for price changes, were lower in the later year. Most observers believe that this decline in state income is secular rather than cyclical and hence can be expected to remain a conditioning factor.

The demographic factors are no more encouraging. The following table is suggestive:

Population Growth, New York and U.S.

	New York State	U.S.
1950-59	13%	19%
1960-69	9	14
1970-75	0	5
1970-79 (proj.)	4	10
1980's (proj.)	6.8	10

In 1990 it is expected that 167,000 will graduate from New York high schools, or 31 percent less than in 1980, about equal to the 1960 level. Some have argued that a higher proportion of high school graduates may go on to post-secondary education in the future. But New York's rate is already higher than average, and has begun to decline. There is at least as good an argument that it will be lower in the future. On balance, the future environment in which higher education must live in New York seems certain to be less friendly than it has been in the recent past.

II. FINANCIAL AID FOR STUDENTS

It is not generally recognized that in the past few years a veritable explosion has occurred in financial aid to college and university students. Furthermore, New York State's participation in this explosion has been far greater than that of any other state. Indeed, what has happened, and is continuing to happen, is nearly incredible. Next year the nation will spend over $10 billions on student aid, the funds coming from federal, state and private sources. In 1975-6 the figure was $8 billions, and $1 billion of that (or 12.5 percent) went to students in New York. This sum covered one-half of all educational expenses (tuition, fees, room and board, books, transportation and personal expenses) of all full time New York students!

The explosion began in the early 1970's, with the passage by the federal government of the Educational Amendments of 1972 to the Higher Education Act of 1965. The largest of the federal programs -- the Basic Educational Opportunity Grants (BEOG) -- was launched then. At about the same time New York's Tuition Assistance Program (TAP) began to make a significant impact. While there are other important federal and state grant and loan programs, attention in this section will be directed primarily at BEOG and TAP. Not only are they much the largest part of federal and state student aid programs, respectively, amounting between them to nearly a half billion dollars spent in New York State annually, but they are an excellent case study of how a federal and state program, with at least similar goals, fit together either well or badly.

New York State is unique among the states in that its principal program -- TAP -- was operating at significant levels before BEOG did,

and in that expenditures under TAP have always exceeded expenditures in the state under BEOG. An estimate for 1978-9 suggests that some $265 millions will be spent by TAP, whereas BEOG expenditures in New York will be between $180 and $200 millions. Furthermore, the number of TAP recipients substantially exceeds the number of New York BEOG recipients, by some 265,000 to 125,000 in 1975-6 (these figures are not additive since many students receive grants under both programs). The impact of the two programs together is clearly an important one.

The Basic Economic Opportunity Program is a need-based entitlement program. Application is made to the Office of Education using one of several forms that sets forth the financial condition of the student, and of his parents unless he is an "independent" student. There is an expected parental contribution and the student is expected to work during the summer and contribute his savings. Regardless of need there is a maximum BEOG grant of $1600 per year (for four years or, in a few cases, for five). Furthermore, no BEOG award can amount to more than half the cost of the student's education for the year. This is the so-called "half cost" rule; if the student attends an inexpensive school the award can be well below the maximum even if he is a full-need student.

All income received by the family enters the calculation (in contrast to TAP eligibility) which tends to keep the BEOG award low. In addition, most assets of the family are taken into consideration. This is one of BEOG's most controversial features. The principal asset of families applying for assistance is usually the home in which the family lives. Since it is not unusual for the family to have lived in the home for many years, there is frequently a significant equity in the home, multiplied of course by the inflation in home prices. This is not the

sort of asset that makes a family feel affluent (indeed, its major consequence has probably been a sizeable growth in property tax liability) but it is frequently enough to bar a BEOG award even when income is very low. Families cannot understand why they should be forced to remortgage their homes, thus incurring interest and amortization payments for the rest of their lives. Financial aid officers are very uncomfortable with this provision.

The BEOG program is clearly aimed at the low income population. Eligibility is fairly complicated to compute but generally speaking financial aid officers say that eligibility largely disappears at about $10,000 to $12,000 gross family income, which is well below the median U.S. income. The national data indicate that only 4 percent of BEOG recipients come from families with incomes above $15,000. As will be seen, the program is of critical help to many students in New York and elsewhere, and has contributed in a major way to extending access to higher education to the lower income population, particularly when combined with other student aid programs.

New York State's Tuition Assistance Program is also a need-based entitlement program. But the differences between TAP and BEOG are major. Whereas BEOG awards are limited by the half-cost rule (i.e., half of all student costs), TAP awards are limited to the size of tuition. An underclassman in the state or city system can receive, therefore, only $750 no matter what his need. The maximum TAP award is $1800 (it is $1600 for BEOG) in the coming academic year, but students have to be enrolled in the private sector to receive this amount from TAP.

But the most important difference is in the determination of need in the two systems. BEOG uses the standard financial aid form of

American College Testing Program or College Scholarship Service. TAP determines the amount of the award by the "net taxable balance" as shown on the New York State income tax form, modified by number of children in college and some income items not taxable in New York such as interest and dividends on securities that are tax-exempt. But very important items like social security educational supplements, or Veteran's Administration educational payments, or BEOG awards, all of which do not enter the net taxable balance, are not counted in the calculation of the TAP award. This is the feature that has led to fears of "over awards." Also ignored is the possession of assets by the family, except of course as they may generate taxable income.

A final feature of TAP deserves mention. The upper limit for eligibility is a net taxable balance of $20,000 (note that this means gross income of perhaps $25,000 on the average) and everyone with net taxable balance of $20,000 or under receives a minimum award regardless of whether he meets the needs test. In 1976-7 more than 60,000 students received this minimum, which was then $100. Not only does the processing of such awards generate a large administrative load, but $100 can hardly have any impact on either choice or access. A commission that year recommended the elimination of these awards, calling them "in fact mere honorariums." But their political popularity is such that the legislature read the commission's recommendation and promptly raised the minimum to $200!

In 1977-8 TAP estimated that 355,360 students would receive awards averaging $587 for the year. All these awards are to full time students who are residents of New York attending institutions in New York. All but 40,000 were awarded to undergraduates. Ninety thousand (25 percent)

were to students in the private sector, but since tuition and hence many awards are higher there, a little over 40 percent of the TAP money went to the private sector.

It should be clear from the foregoing description that TAP is aimed farther up the income scale than BEOG; indeed as its name implies it was designed at least in part to reduce the tuition gap between the private and public sectors for a substantial part of the college-going population. And except for independent students, who constitute about 20 percent of the recipients and whose awards are based on a different income schedule, the data bear this out. While about 4 percent of BEOG recipients have family incomes in excess of $15,000, the corresponding TAP figure is 37 percent. Under TAP it is possible for a family with gross income of $30,000, with more than one child in college, to receive a grant, though the size of the grant would probably be small.

Two educational developments that have taken place as TAP has grown deserve mention. TAP came into existence in the fall of 1974, and that year the share of the public sector in total enrollment stopped growing. Since then there has been a small but significant growth in the private sector share. A second development is that out-of-state migration of students has declined -- from 12 percent in 1968 to 8 percent in 1975. One hesitates to attribute sole causation to TAP for these interesting developments but it must have been a factor.

It is time now to turn to the question of how these programs fit together on the campuses. One's initial impression is almost inevitably that it cannot make sense to spend several hundred million dollars annually in two dominant programs that are so different. Consider: TAP serves only full time students, BEOG part time as well. TAP helps

students attend proprietary schools, BEOG does not. A student can be "independent" under one, "dependent" under the other (which seems to drive more parents to distraction than any other difference). A student can be "needy" under one, not under the other. The existence of assets in the program directed mostly toward the low income applicant may disqualify him, while it will not affect the other. One would think that anyone eligible for BEOG would always be eligible for TAP. Not so. Not only is there the part time problem, but Social Security or V.A. grants may eliminate eligibility for BEOG but these have no impact on TAP eligibility.

The surprising fact is that the two programs <u>are</u> being put together, and that this is being done on the campus, specifically by the campus financial aid officer. These remarkable people, who live with the programs, learn quickly what each program can and cannot do, and they custom-build a package for each customer -- adding loans, work study, institutional funds and other campus-based programs as necessary.

When pressed, financial aid officers will admit that there is not much logic to all the differences, and that in the ideal world one big program would be preferable to what now exists (always on the assumption that the one being interviewed could draw up the big program). The most thoughtful among them, after considerable reflection, tend to come to the conclusion that the "one big program" idea has one overwhelming flaw: it is that, since New York State's contributions, through TAP and otherwise, are far in excess of any other state, a combination of any kind would mean total funds based on some sort of average state contribution. This would inevitably mean less total funds in New York, and financial aid officers are painfully aware of the need for every dollar

they have, and are quite unwilling to give up badly needed funds in the interest of having a "more sensible program." (It is interesting to reflect that federal take-over of welfare, which "everyone agrees makes sense," continually founders on the issue of how to treat New York and Mississippi appropriately, which is of course the very same issue.)

One interesting and promising development is trying to come to grips with the issue. The New York State Financial Aid Administrators Association (NYSFAAA) has addressed the problem and prepared a common form for use in applying for aid, and recommendations for changes (not basic) leading toward "A Model Financial Aid Delivery System for New York State" (December 1977). This is now being studied in the state -- it deserves support.

It seems quite clear that merger of BEOG and TAP is out of the question -- there are simply too many practical, political and jurisdictional problems. Fortunately, the systems do work together, largely because of financial aid officers who are the brokers. This is not to say that changes are not called for -- they are, and of course they are being made. The guidance of NYSFAAA is a constructive element in pointing out proper directions of change.

What can be said about whether federal and state financial aid money is being spent "wisely" in New York. Unfortunately the criteria for a definitive answer to this most basic of questions do not exist. In a macro sense the proportion of high school graduates going on to post-secondary education remains high, and at least some credit for this must go to student aid funds. Whether the "right" recipients are getting the funds is the much more difficult question. There is today

a feeling in the land that middle income families are not getting enough support, whereas the rich can afford it and the poor get all the aid. The data do not support these generalizations but they have become widely accepted and the federal government will in all likelihood pass either an enlargement of BEOG, pushing it up the income scale, or a tax credit scheme being pushed by New York's Senator Moynihan, who incidentally ought to know better.

It is the case now that no academically qualified student in New York is barred from higher education because he is too poor. He may not have access to every institution, although if he is willing to go into debt he can usually attend even the most expensive college. Public institutions report that no student is turned away because of finances, provided he and his family agree with the way the programs operate. For example, a parental contribution is almost always required, and almost all parents make it. If a student's parents deny that they are capable of contributing what the formula determines is appropriate, the student will come up short on funds. But if the rules are accepted the student is able to enroll.

As income rises, the parental contribution also rises and it is the determination of whether this progression is "equitable" that is so difficult. One can only say that there are no obvious and glaring inequities.

The situation in the private sector is less clear. For one thing, unlike the case in the public sectors, costs to the student vary markedly from one institution to another, at the extreme by a factor as great as four. The very high cost institutions are likely to have funds of their own to supplement public funds, though not all of them do, at least in equal amounts. Both BEOG's and TAP can be larger in the private sector

but the maximum sum of the two is $3400 which may be less than half full cost. And of course the sum of the two falls off rapidly as family income rises. Private institutions do have to turn away students because they cannot muster enough aid, though most of them say that if the student is good enough they will somehow be supported whatever their needs.

The public institutions tend to argue that the availability of BEOG and TAP has enabled the private institutions to use their own funds for middle income students. This is denied by the privates. They argue that BEOG and TAP have been extremely helpful, particularly in enabling private institutions to broaden their student base. One expensive institution makes the point that its cost next year will be $8000. A student getting maximum BEOG and TAP is a long way from cost and has to be supplemented heavily by the institution's own funds. Furthermore, half that university's undergraduates are from out of state and thus not eligible for TAP. This university receives about $1 million in BEOG funds, $1.5 million in TAP, and contributes about $4 million more from its own funds. Without BEOG and TAP they would not be able to admit as many low income students, but with them much of their own funds are drawn to that end of the income distribution. It is not clear whether on balance there is more available for those not eligible for BEOG or TAP.

A final question to ask is whether there are over-awards, meaning a combination of subventions that add to more than the costs incurred by the student. Such cases, if they exist, come to be "horror stories" dramatized in the press as wastes of the taxpayers money; they are much feared by the administrators of the systems, for obvious reasons.

When the Education Department added proprietary institutions to those eligible for TAP grants, there developed a number of questionable cases. For example, proprietary business schools attracted TAP funds in suspiciously high amounts, leading many to believe that they were in business mainly for this purpose.

But these were probably fraudulent cases; the more interesting question is whether it is possible for a student to apply quite legitimately to several programs and end up with more than his total costs. The answer to this seems to be that it is highly unlikely, though conceivable. The half-cost rule in BEOG, and the tuition maximum in TAP, plus their respective dollar maxima, almost rule it out. A dependent student whose widowed mother receives educational supplements from Social Security might conceivably be over-awarded. The average social security educational supple ent is $1900 and the maximum much higher. While this would usually eliminate BEOG which regards it as income, it would have no impact on TAP, and the sum of the two might exceed the costs of attending a community college while living at home. But such cases would be exceedingly rare; none of the financial aid officers interviewed knew of such a case, though several were able to construct hypothetical cases.

By way of concluding or summarizing the section on student aid in New York, its tremendous importance clearly stands out. In many institutions as many as 80 percent or even more students are receiving aid. Access is essentially complete and if choice is not universal it is commendably large. There are administrative and red tape problems, which are probably endemic to large government-administered programs, and these will need continued attention. The failure of TAP to cover

any but full-time students is a serious gap, particularly since CUNY has imposed tuition charges. And the $200 minimum TAP awards are in large part a waste. As one financial aid officer put it, the minimum awards at his institution were going to people with net taxable balances anywhere between $12,000 and $20,000. If the grant was appropriate for the lower income level, it very obviously was not for the upper limit.

III. GOVERNANCE IN THE PUBLIC SECTOR

There are of course two public sectors in New York, SUNY and CUNY. But the problems of governance in the two are essentially identical. The CUNY campuses are under the general supervision of CUNY headquarters which represents the system with the city and the state. CUNY headquarters is governed by the Board of Higher Education. SUNY has its headquarters in Albany which serves a similar purpose under the guidance of a Board of Trustees. Each system has a chancellor who serves as principal spokesman. For the purposes of this paper, primary attention will be paid to the SUNY system with the understanding that most generalizations would apply to CUNY as well.

The preparation, presentation and defense, and later the administration, of the annual budget seems an appropriate vehicle for getting at the governance problem. It is through the budget that the important allocation decisions are made, certainly for year-to-year matters, and that longer run directions become established. And the decisions are important in their own right: in 1977-8 SUNY spent just short of a billion dollars for operating expenses, well over half of which came from the state budget. Tuition contributes about $100 million to operating expenses and of course the level of tuition is a matter for state decision as well (technically the Board determines the level of tuition but recently the decision has fallen out of the fiscal situation and has hardly been an autonomous one).

The budgetary process begins with the issuance of guidelines to the campuses by SUNY headquarters. The guidelines suggest what sorts of increases (if any) have a chance for serious consideration, what new

directions or emphases the system ought to push this year (e.g., a bulge in library procurement), and what new programs the system should embrace and where.

The guidelines emerge somehow from a sense of the fiscal situation in the state, presumably absorbed by the Board and by the Chancellor of the system and his chief subordinates. There will have been discussions with the Division of Budget, the Governor and key legislative leaders, and what is learned there is balanced off against the judgment of the system's Council of Presidents. This Council consists of sixteen Presidents representing all units in the system, and meets monthly with the Chancellor. This process will be recognized as a political process wherein the desirable and the possible are reconciled, with the principal players jockeying for position, and with the general political atmosphere playing a major role.

Once the guidelines are established the campuses put their proposed budgets together and they come to the Vice Chancellor for Finance at SUNY headquarters. There is frequent negotiation between him and the campuses over whether the guidelines have been interpreted properly, and the Vice Chancellor finally gets a system-wide budget together which the Chancellor thinks he can support. There may be hearings with the campuses in the course of all this, but not for many because of the time factor.

The next step is for the budget to be transmitted to the governor through the Division of Budget. Here there are more negotiations, more hearings, with sometimes campus people participating if a particularly large or novel item is involved. For example, the 1979 budget requested a sizeable increase for the Stony Brook campus to complete a substantial health sciences program and hospital. The Division of Budget may cut selectively before forwarding the final request to the legislature, but there will have been large-scale consultations all through the process, with Budget playing a major role, so surprises are not likely.

The Chancellor and his immediate staff are the chief defenders of the budget before the legislature, with occasional help from campus personnel in special cases. Most campus presidents become mere bystanders at this stage; they may have kept their local legislators informed as the process unwound, but there is little "end-running" of either the SUNY headquarters or the Governor's office by the campuses; the four university center presidents should probably be exempt from this generalization, though at least one of these has vowed not to end run in the future, having seemingly succeeded once but then having "paid and paid and paid" in subsequent years.

The campus role in the total process is thus not very great. It is diminished further by two other features of the system. One is that employees, including faculties, are unionized. Collective bargaining for faculty is system-wide and conducted by SUNY Headquarters. For non-faculty bargaining is through the Civil Service Employees Association. This means that the campuses have no say essentially over costs amounting to about two-thirds of all costs. The second is that campus budgets are basically enrollment-driven. To be sure, the subsidy per student may change but a campus with 4000 students will have pretty much the same budget that other campuses with 4000 students have. The arguments are largely about small deviations around the edges.

An important consequence of the importance of budget-making by formula is the similarity in cost that results. Institutions of course spend all they get but deficits are not tolerated; consequently income and expense are generally identical. If one looks at educational and general costs per full time equivalent student for the fourteen university colleges (the four-year colleges), for example, one finds these costs almost uniform.

In twelve of them, the budgeted amounts in 1977-8 showed a cost per student varying between $2248 and $2783. Two colleges -- Purchase and Westbury -- were significantly higher; these are experimental institutions where costs are consciously made higher. Student-faculty ratios are also very nearly the same throughout the system.

Once the budget is voted by the legislature and approved by the governor it is sent back to the campuses. It consists of lump-sum appropriations for each of seven line items: instruction and departmental research, organized research, extension and public service, academic support service, student affairs and student aid, institutional support services, and auxiliary enterprises. Within each of these line items there is substantial freedom of decision on the campus, except that radical departure from the justification of the line items in the budget request may jeopardize credibility in subsequent budget years. But if the budget requires, for example, a reduction of five faculty positions, the decision on where to reduce is a campus decision.

The law permits the reallocation of up to five percent from any of the seven line items to another during the year. It is necessary, however, in order to take advantage of this provision, that a "Certificate of Approval" be completed justifying the request, and this is sent for approval in turn to SUNY headquarters, the Division of Budget, and the State Comptroller. Experience with this process seems to vary considerably. Some campus business officers say they use it only when the case is overwhelming, "and I always get it approved." Others claim they never hear anything -- "it's like dropping something down a big black hole." There seems agreement that there is no use asking toward the end of the budget year, but this seems appropriate since the procedure is not supposed to assure that all money gets spent.

The budget process, in retrospect, suggests that SUNY is very much a system. Component units tend to be treated rather equally, and while the input into budget-making by the units is not inconsequential, neither is it major. The large and important decisions are being made in the political arena -- by the Chancellor, the governor, the legislature -- after painstaking negotiations that go on constantly. This has probably always been the case, but it must have seemed and been less painful when the system was in its growth period. And in those days, new ideas bubbling up from the campuses must have had a much more sympathetic hearing and a correspondingly better chance of adoption.

One change that seems apparent is the enhanced role of the Division of Budget, which may be inevitable in a period of declining resource availability. Many SUNY people are persuaded that the important educational decisions are now being made by the Director of the Budget and his senior staff (and many seem thankful, incidentally, that these tend to be people of real competence). The validity of this claim is not easy to assess, thought it is clear that the importance and constancy of both budget hearings and participation by budget personnel in the decision-making process have increased in recent years.

Also lending substance to the claim is a new practice that has recently developed, i.e., what might be called the "over-determination" of the budget system. What happens is that the budget is approved and returned to the units of the system. Then, perhaps a month later, an order comes to SUNY that regardless of approved budgets, no more than a given number of personnel may be on the payroll, or no more than a given amount of money can be spent. These personnel or expenditure ceilings, as they are known, are then passed on to the campuses, and since they are always more

restrictive than the budget, they become determining. There is some suspicion that the device is used so that the executive can claim credit for a generous and progressive budget while quietly putting the clamps on the system with a budget ceiling. The device is of course always justified as a prudent move in a period of fiscal stringency, but it tends to project the Division of Budget into academic day-to-day affairs in a way many administrators find frustrating and infringing on the campus' ability to make academic decisions.

The role of tuition in SUNY finances is an interesting one. First claim on SUNY tuition is to service the debt created to build the system over the years. Whatever is left over after this prior claim is met is used toward meeting the operating expenses of the system. By agreement with the State, the SUNY Board, which sets the tuition level, is committed to provide at least $100 million for this purpose from tuition -- though for 1978-9 the increase in interest rates forced the Board to ask for temporary relief from this commitment and supply $91 million. The Board wants very badly to keep tuition down (New York's public tuition is among the highest in the nation), and yet the need for current funds is obvious. So tuition determination is very much a part of the whole negotiating process over funding. There is no evidence that the process is based on anything other than a subjective reconciliation of forces pushing for higher and for lower tuition levels. And given the entitlement feature of the Tuition Assistance Program, one wonders why tuition is not raised farther since this would simply shift the financial burden to another appropriation, namely TAP's. This would also be a way for CUNY to shift more of the burden to the state.

A word about budget-making in the community colleges is necessary to complete the picture. It is quite different so far as the state is

concerned, since the state plays a passive rather than an active role. Funds for community-colleges (both state and city) come from three sources: tuition, the state, and the local sponsor (usually a county). Tuition is set by the local sponsor but cannot exceed that charged by SUNY four year colleges and is customarily equal to it. State aid is determined partly by statute and partly by regulations of SUNY's trustees. In general it is based on enrollment with bonuses for technical subjects, local effort, number of disadvantaged students and so on. The local sponsor is the residual contributor and in a sense determines whether the community college is well or badly funded.

Funding of course brings accountability and some local sponsors lean heavily on their colleges, insisting on fiscal practices that benefit local merchants. Experience with this sort of thing varies very widely and it is not possible to generalize as to where and how the important decisions get made. Some community college administrators have a great deal of freedom in running their institutions -- for example in moving appropriated funds around. Others are severly constrained by almost whimsical rules that emanate from county politicians who have neither knowledge nor concern for academic values. In terms of funding levels alone, one gets the impression that community colleges have been subject to rather smaller cutbacks than other institutions in the system -- both in New York City and upstate.

IV. WHAT THE FUTURE HOLDS

The foregoing pages should have made clear that the major problem facing higher education in New York State is the levelling off of enrollment, which has already happened, and the imminent downturn, which is now beginning to affect parts of the system. Head count enrollment in CUNY institutions declined 7.8 percent from 1976-7 to 1977-8 and is expected to drop another 6.6 percent in 1978-9. At SUNY enrollment has been essentially level since 1976-7 , and fall 1978 enrollment again is not expected to grow. The private sector, as has been pointed out, is increasing its share of total enrollment, but very gradually; its total enrollment is now about stable.

Accompanying the enrollment decline, and stemming in good part from the same underlying demographic and economic factors, has been a decline in real resources available to higher education. This has been most dramatic in the CUNY system, for a special set of reasons, but it has also occurred in SUNY. It is more difficult to generalize about the private sector. If faculty members, expensive educational equipment, and square feet of space were all identical, of course, the fall in enrollment would "solve" the drop in resources. But of course they are not, nor do the declines hit all units of the system at the same time or with the same intensity. And this is the essence of the problem: how does a system which is characterized by great inflexibility, and by long lead and lag times, accommodate to a contraction in its overall size?

It is worse than that because there is an all-important quality dimension to contend with. No one doubts that the system could look after a declining number of adolescents in the coming years. What is needed is to do so without sacrifice of educational quality, or better yet with an

increase in quality. The former Vice Chancellor for Higher Education in New York points out that between 1970 and 1973, when enrollment was still growing but at a reduced rate, college acceptance rates (i.e., the proportion of applicants accepted by colleges) rose from 56 percent to 68 percent in public institutions, and 65 percent to 71 percent in private institutions. This in itself is not proof of anything but it at least suggests the disturbing possibility that institutions lower their standards when students are harder to come by. This is hardly a socially optimal way of adjusting to a situation which is going to get a lot worse before it gets better.

In the next couple of decades the data suggest that educational needs may decline as much as 15 or 20 percent below present capacity. How does the state propose to handle this cut back? Does it plan to "just let it happen" or is the planning mechanism in the state adequate to bring about a result better than if there is no interference? Of course no interference is not a viable alternative. Doing nothing is making the decision to let nature run its course in the private sector, while doing nothing is simply not possible in the public (or state) sector. In any case this is the problem New York must face up to.

Turning first to the private sector, what is likely to happen as these new conditions become more universally felt? The private sector has already lost a few institutions which have simply ceased to exist. They had been unable to attract sufficient students and funding to stay alive. More of this can be expected to happen. There is a certain randomness to the method by which institutions will be chosen for oblivion -- whether curriculum is popular or not, whether location is attractive or not, whether one or a few alumni or friends with wealth are attracted

to the institution. But for most of the vulnerable private colleges, enrollment is of first importance and when it begins to decline seriously and the down trend persists over several years, it is usually in serious trouble. To the extent that this is true, the market is working. That is to say, if the customers keep buying, the institution will survive, and vice versa. This is as it should be, always provided that the customers are not kept by turning the place into some sort of circus.

The Board of Regents has an important role to play in this process. The State Department of Education, the staff arm of the Regents, tries to monitor the health of the private colleges and universities and to know when one is heading for trouble. When one is, a committee of the Department tries to decide whether the institution ought to be rescued or allowed to close. If the former, they offer advice, sometimes persuade the Dormitory Authority to ease the debt service requirements at least temporarily and try to be helpful in other ways, most of them informal. If the latter, they try to arrange for an orderly closing and in particular to see that the students are dealt with fairly.

Whether these activities can make a real contribution to the achievement of the desired ends is not clear. For one thing there are no clear-cut and agreed-upon criteria for deciding that a particular institution ought to survive or die. For another, there are limited resources available. Finally, and of particular interest, all Regents meetings are by law public meetings and since a public discussion of whether a given institution should be allowed to fail or be kept alive is essentially unthinkable, the ability of the Regents to assume leadership in planning is impaired. One is left with a feeling of uncertainty as to whether the state's role in these matters can be constructuve although there would seem to be little doubt as to the need for leadership.

There are in New York five major research universities -- Rochester, Syracuse, Cornell, Columbia and New York University. These while located in the state, are really national institutions. Their student bodies are drawn from the nation and the world, and their graduate schools, which produce 62 percent of the Ph.D.'s offered in the state, are national resources. Their problems, too, are different. They are not threatened with closing; rather their challenge in the years to come is to maintain their overall quality and to continue the very major contribution their research makes to the nation.

These institutions have all had their financial problems, and some are still in deficit. All have drawn on endowment to meet operating costs, and at least one has had to close a major campus (New York University's University Heights). But these immediate financial problems have for the most part been stabilized and their problems are now somewhat different and in a sense more basic.

One of the things hurting the research universities is the increasing difficulty of getting first rank graduate students. There are a lot of reasons for this, not least the declining market for Ph.D's, but it is good graduate students who both provide assistance for the chief research faculty, and provide much of the teaching for undergraduates. Without a continuing flow of graduate students of ability, quality research is difficult to maintain.

A second factor of major importance is that, since World War II, the federal government has become a major source of funding of research universities through the award of research grants. Rapid growth in such awards to all universities in the U.S. tapered off after the late 1960's; after price changes total federal research grants to universities in 1975

were slightly less than in 1968 ($1,731 millions as against $1,750 millions in 1972 dollars). There has been a gradual increase in the last two years, but the years of rapid growth seem to be gone. The five New York universities have had a similar experience. All have enjoyed modest increases in real federal R & D funds since 1972, as the following data indicate (in millions):

	Fiscal 1972	Fiscal 1976
Columbia	$45.5	$48.3
Cornell	31.0	38.1
New York University	23.0	30.7
University of Rochester	18.4	22.4
Syracuse University	4.4	4.9

For these institutions, therefore, there is as of the moment no research fund crisis, but there is real concern for the future.

If these forces -- declining undergraduate and graduate enrollment and a levelling off or even reduction of research funds -- begin to impinge seriously on those universities, the tragedy is that the consequences will go unnoticed for a while. Deterioration in research quality is not something immediately visible, but it is inevitable in time. And thoughtful university administrators are concerned that expensive equipment is not being maintained and replaced and that library acquisition budgets cannot keep pace with the exploding costs of books and journals. There are neither state nor federal funds for such mundane line items.

Solutions to these problems are far from obvious. But their very difficulty suggests once more the need for thoughtful diagnosis and planning, at least on a state-wide basis. Whether the Board of Regents can supply leadership for this kind of planning is not clear; there seems no other body available.

The public sector is a somewhat different story. The market is significantly different from the one in the private sector. Here declining enrollments do not mean threatening bankruptcy -- they do mean reduced funding to the extent that budgets are enrollment-driven. But a decision to close would have to be an administrative decision, presumably by the SUNY or CUNY Board of Trustees. The respective Board could, if it wished, base its administrative decision on what it thought the market indications were, but it could also behave quite differently, and up to now both Boards have.

The market indication is valid only if there is freedom of choice by the consumer. Up to a point there is. A student applies to a unit of SUNY or CUNY, and if he is qualified he is admitted until the unit is "full." Being full is determined by a quota assigned by headquarters to the unit, usually but not always having to do with physical capacity. The qualified student who is turned down is considered for his second or third choice, if he has indicated additional choices, or he may apply elsewhere if he has not. At SUNY this means that the least popular units will fill up last, or if there is more total capacity than students the least popular will have empty slots. At CUNY there was, at least for a couple of years, a tendency to keep quotas for the popular campuses below real capacity in order to force students into the less popular units, and to that extent freedom of choice was being infringed. If the game is played honestly freedom of choice would throw up the appropriate signals.

Indeed this is already happening throughout the two systems. Some units are popular and quickly oversubscribed. Others are not, and compete hard, both within and without the system, for students, since their budgets depend on enrollment. Clearly this situation will become more acute as time passes and the student pool shrinks.

The policy options are clear. The state can keep quotas low for its most popular units and direct, by persuasion or otherwise, surplus students to the least popular units, thus sharing the decline across the system gradually. Or it can maximize freedom of choice, look at the resultant signals, close the least popular units over the years, and concentrate the resources it has on a smaller number of units with an enhanced possibility of improving quality in them. It seems clear that the first option would ultimately result in a uniformly mediocre system.

Up to now SUNY is going the first route, or at least has not felt that the time has yet come when the alternative route should be considered. The 1978-9 budget request was for a six percent increase over the previous year, in current dollars. This included almost no change for three of the four university centers, and increases of two or three percent for twelve of the fourteen four-year colleges. If this kind of incremental budgeting continues it will indicate that the state intends to spread the mediocrity. Incidentally, CUNY is budgeting on the same basis exactly, with recommendations for each four-year campus up or down by one or two percent.

The important question is whether it is at all realistic even to bother thinking about reducing the number of units in the system. It is clear that the political problems involved in any closing are enormous. Any locality regards its public educational institution as central to its economic health: its closing would eliminate jobs in the community, and the argument that keeping an unneccessary educational institution is a mighty expensive way to keep a few jobs falls on deaf ears. When the locality mobilizes its political clout there is always a hasty retreat. In 1976 there was an attempt to close Hostos Community College, the bilingual community college in the South Bronx. In no time the legislature in Albany had forbidden such subversive ideas.

For the most part, SUNY and CUNY do not even do research on the possibility of selective closing and concentration of resources. Since their activities are so public they do not want it known that they might be thinking of retrenchment through selective closing. Indeed some officials have persuaded themselves that closings would save nothing -- "what's wrong with having all 64 institutions 30 percent smaller than they are now; after all they all were once that size." So very little consideration of this whole matter has yet taken place, perhaps, but only perhaps, because the squeeze has not yet become intense enough to force it.

SUNY's four university centers exemplify the problem. It seems clear that the state is not going to be able to create four first rate universities (it might have if the steady state had not arrived for another decade or two). It also seems clear that if it continues to try to, all four of them will gradually slide into mediocrity. But the two which are out in front are probably Stony Brook and Buffalo and if that is the case these are the two that should receive what university resources there are. The other two, however, are in Albany, which is the capitol of the state, and in Binghamton, from which the popular leader of the Senate comes. Clearly, to force these two either to close or to revert to four year status (both of them appear to have excellent undergraduate programs) would require a political miracle.

SUNY is examining ways in which some university programs can be cut back, on grounds that others provide those programs; they seem to have decided, for example, that Binghamton will not become a comprehensive graduate school, and the number of Ph.D. programs at Binghamton has been reduced. This is certainly a move in the indicated direction, but whether it will be enough when the enrollments and resources are significantly less than now is at best unclear. What makes this all more critical

is that (with the possible exception of the community colleges where generalization is more difficult) the SUNY and CUNY units have already experienced reductions in real resources for several years so that much if not all of the fat is already squeezed out.

What of the position of the Regents in all this? After all, they are the State's 1202 Commission and therefore ought to have a central role to play in these new educational developments. But the Regents, like other state agencies, live in the midst of political realities. In addition, there is the tension, referred to earlier, between the Regents and both the executive agencies and the public systems. The Regents have considerable formal power over both CUNY and SUNY but they know that attempting to exercise it means a fight. They have conducted the fight in selective areas -- notably Ph.D. reviews -- and won after protracted court battles. But stepping into a true leadership role for all of higher education does not seem to be in the cards for the near future. The need for this is suggested by the recommendations of a recent state Commission which urged a stronger Board of Regents, appointed (by the Governor rather than the legislature), and with broadened responsibilities made explicit. The Commission concluded its section on the Regents as follows:

> "We wish to stress that the period that lies ahead is going to be a difficult one for educational planners. The easy way will usually be the wrong way. Decisions on how and where to retrench are much more difficult than decisions on how and where to add. It is for this reason that the Commission wants a Board of Regents that is of high quality, interested and expert in postsecondary education, and with time to grapple with difficult and complex issues."

The Regents produce each four years a Statewide Plan for higher education. This plan, which has input from all sectors, is presented to the governor and, if accepted by him, is the state's plan. The trouble is that the generalizations are so broad that they do not guide, and the

impact of the plan is not great. The 1976 plan, the most recent, simply does not come to grips with the issue raised in this paper, except to urge that new construction be suspended in most cases. And to underline the tension referred to earlier, the Governor rejected much of the 1976 plan in April of 1978, an apparent first in the state's educational history. It is also of interest and significance that in the conduct of the present study public sector administrators were asked whether, during the budget-making process they were conscious of the existence of the Regents. They answered unanimously in the negative.

V. CONCLUSION

New York State can be proud of its educational achievements. It has one of the highest college-going rates in the country. It spends about 12 percent of its state budget on higher education, with far and away the most generous student aid program and far and away the most generous system of aid to private education, a sector that is both important and respected. The public sectors were on the way to achieving eminence, the state system with its magnificent construction of plant, the city system with its long and honorable history and its unique contribution to many minorities.

All this suggests that the stakes are indeed high. The State faces a brand new set of circumstances. The challenge is clear: does it have the wit and the courage to plan for and bring about the transition to a smaller system in such a way that higher educational quality is not only sustained but enhanced? For higher education the next decade or two will be not only critical but fascinating.